

HEALTH AND HUMAN SERVICES

The Health and Human Services Agency oversees departments and other state entities such as boards, commissions, councils, and offices that provide health and social services to California’s vulnerable and at-risk residents.

The Budget includes total funding of \$141 billion (\$33 billion General Fund and \$108 billion other funds) for all programs overseen by this Agency.

DEPARTMENT OF HEALTH CARE SERVICES

Medi-Cal, California’s Medicaid program, is administered by the Department of Health Care Services (DHCS). Medi-Cal is a public health care coverage program that provides comprehensive health care services at no or low cost for low-income individuals. DHCS also operates the California Children’s Services and the Primary and Rural Health programs, and oversees county-operated community mental health and substance use disorder programs.

Significant Adjustments:

- Managed Care Organization Tax—Chapter 2, Statutes of 2016, Second Extraordinary Session (SBx2 2), authorized a tax on the enrollment of Medi-Cal managed care plans and commercial health plans. The Budget assumes reduced General Fund spending in the Medi-Cal program of approximately \$1.1 billion in 2016-17 and \$1.7 billion in 2017-18. The legislation also included reforms that reduced taxes paid

by the health plan industry. The Budget includes significant investments associated with the managed care organization tax (Chapter 3, Statutes of 2016, Second Extraordinary Session [ABx2 1]).

- **Medi-Cal 2020 Waiver**—The Budget includes \$2.2 billion in federal funds for the new Medi-Cal 2020 Waiver. California and the federal government reached an agreement on the Section 1115 Waiver renewal that began on January 1, 2016. The waiver includes a number of initiatives to improve health care quality including Public Hospital Redesign and Incentives in Medi-Cal, the Global Payment Program, Whole Person Care Pilots, and the Dental Transformation Initiative.
- **Full-Scope Medi-Cal Coverage for Undocumented Children**—The Budget includes \$188.2 million General Fund to provide full-scope benefits to 185,000 children. Chapter 18, Statutes of 2015 (SB 75), expands full-scope Medi-Cal benefits to undocumented children under 19 years of age.
- **Minimum Wage**—The Budget includes \$7.1 million General Fund to reflect the impact on certain providers of the 50-cent increase in the state minimum hourly wage, effective January 1, 2017.
- **Medicaid Managed Care Regulations**—The Budget includes \$5 million General Fund and 38 positions to implement the federal regulations. In May 2016, the federal government published final regulations pertaining to Medicaid managed care programs, and published final regulations in November 2015 pertaining to Medicaid fee-for-service access standards and monitoring. The managed care regulations are related to beneficiary grievances, provider networks, program integrity, and financing.
- **Institutional Deeming**—The Budget includes \$1.1 million General Fund to provide transition assistance to approximately 433 children currently enrolled in the Home and Community-Based Services Waiver for Persons with Developmental Disabilities. Under federal law, these children will likely lose their Medi-Cal eligibility with the transition of Behavioral Health Treatment from a waiver benefit to a state plan benefit in March 2017. The assistors will facilitate enrollment into appropriate, comprehensive health care coverage.
- **Behavioral Health Treatment**—The Budget includes \$180.2 million General Fund to provide federally required Behavioral Health Treatment services. Medi-Cal costs include transitioning responsibility for the provision of these services from the state's Developmental Services system.

- **Medi-Cal Estate Recovery**—The Budget includes \$5.7 million General Fund in 2016-17, and \$28.9 million General Fund ongoing to limit asset recovery from the estates of deceased Medi-Cal recipients only to recoveries that are federally required.
- **Medical Interpreters**—The Budget includes \$3 million General Fund for a pilot or study related to medical interpreter services in the Medi-Cal program. The augmentation is contingent on future legislation.
- **Restoration of Medi-Cal Acupuncture Benefit**—The Budget includes \$3.7 million in 2016-17 and \$4.4 million annually thereafter to restore acupuncture services for adult beneficiaries in the Medi-Cal program, effective July 1, 2016.

HEALTH CARE REFORM IMPLEMENTATION

In 2013, California implemented significant portions of the Affordable Care Act. The Health Benefits Exchange has provided affordable health insurance, including plans subsidized with federally funded tax subsidies and products for small businesses, beginning January 1, 2014. The Medi-Cal program was expanded with simplified eligibility rules, and the optional expansion extended eligibility to adults without children, as well as parent and caretaker relatives with incomes up to 138 percent of the federal poverty level.

Significant Adjustments:

- **Health Care Reform**—Medi-Cal caseload will increase from 7.9 million in 2012-13 to a projected 14.1 million in 2016-17, covering over a third of the state's population. Most of the increase in caseload is associated with implementation of federal health care reform. Beginning in 2017, the state assumes a 5-percent share of cost for the optional expansion population. The Budget includes costs of \$16.2 billion (\$819.5 million General Fund) in 2016-17 for the optional Medi-Cal expansion population.
- **County Medi-Cal Administration**—The Budget provides counties an additional \$169.9 million (\$57 million General Fund) in 2016-17 and 2017-18 to determine eligibility for the Medi-Cal program. The state will conduct time studies to inform a new Medi-Cal county administration budgeting methodology.
- **AB 85 Redirection of County Savings**—Under the Affordable Care Act, county costs and responsibilities for indigent health care are decreasing as more individuals gain

access to health care coverage. Chapter 24, Statutes of 2013 (AB 85), modified the 1991 Realignment Local Revenue Health Account distributions to capture and redirect savings counties are experiencing from the implementation of federal health care reform. County savings are estimated to be \$749.9 million in 2015-16 and \$585.9 million in 2016-17. The Budget also includes \$177.4 million General Fund for county repayments based on the reconciliation of the 2013-14 fiscal year.

DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services serves, aids, and protects needy and vulnerable children and adults in ways that strengthen and preserve families, encourage personal responsibility, and foster independence.

Significant Adjustments:

- **Continuum of Care Reform**—The Budget includes \$127.3 million General Fund in 2016-17 to continue the implementation of the Continuum of Care reforms contained in Chapter 773, Statutes of 2015 (AB 403). The reforms emphasize home-based family care, improved access to services without having to change out-of-home placements to get those services, and an increased role of children, youth, and families in assessment and case planning. The measure establishes a core practice model to govern all services, whether delivered by a county or licensed provider organization, and provides currently required medically necessary mental health services to children regardless of their placement setting.
- **Restoration of IHSS 7-Percent Across-the-Board Reduction**—The Budget includes \$265.8 million General Fund in 2016-17 to reflect restoration of the 7-percent reduction to IHSS. The restoration remains in effect during the duration of the managed care organization tax, which is scheduled to expire on June 30, 2019.
- **IHSS Overtime**—The Budget includes \$437.3 million General Fund in 2016-17 to reflect costs associated with implementing federal requirements regarding overtime. Exemptions from state limits on overtime usage will be available for live-in family care providers who, as of January 31, 2016, reside in the home of two or more disabled minor or adult children or grandchildren for whom they provide services. A second type of exemption will be considered for recipients with extraordinary circumstances and granted on a case-by-case basis. Under either exemption, the maximum number of hours a provider may work cannot exceed 360 hours per month.

- **CalWORKs Grant Increase**—The Budget reflects a 1.4-percent increase to CalWORKs grants, effective October 1, 2016, which is estimated to cost \$35.4 million in 2016-17 and \$47 million in 2017-18. These increased grant costs are funded entirely by the Child Poverty and Family Supplemental Support Subaccount of the Local Revenue Fund.
- **CalWORKs Maximum Family Grant Repeal**—The Budget includes \$95.1 million General Fund in 2016-17, \$152.3 million General Fund in 2017-18, and \$72.3 million in 2018-19 to reflect increased grant costs resulting from the repeal of the CalWORKs maximum family grant rule, effective January 1, 2017. Beginning in 2019-20, the increased grant costs associated with this policy change will be funded entirely by the Child Poverty and Family Supplemental Support Subaccount of the Local Revenue Fund.
- **CalWORKs Housing Support**—The Budget includes an increase of \$12 million General Fund, for a total of \$47 million General Fund in 2016-17, for the Housing Support Program, which provides assistance to eligible families who are homeless or at risk of homelessness.
- **CalWORKs Homeless Assistance**—The Budget includes an increase of \$2.4 million General Fund in 2016-17 and \$2.7 million General Fund annually thereafter to reflect elimination of the once-in-a-lifetime restriction on receipt of temporary and permanent homeless assistance and instead make this assistance available once every 12 months, effective January 1, 2017.
- **Supplemental Security Income Outreach**—The Budget includes one-time funding of \$45 million General Fund to establish a county matching grant program designed to provide outreach to homeless persons with disabilities who may be eligible for disability benefits programs.
- **State Supplementary Payment Cost-of-Living-Adjustment**—The Budget includes increases of \$36.5 million General Fund in 2016-17 and \$74.8 million General Fund in 2017-18 to reflect a 2.76-percent increase to the State Supplementary Payment portion of the Supplemental Security Income/State Supplementary Payment grant, effective January 1, 2017.
- **Bringing Families Home**—The Budget includes one-time funding of \$10 million General Fund to establish a county matching grant program focused on reducing homelessness among families who are part of the child welfare system.

- Services for Commercially Sexually Exploited Children—The Budget includes an augmentation of \$5 million General Fund beginning in 2016-17, for a total of \$19 million General Fund, to support local efforts associated with the prevention, intervention, case management, and training needs related to children who are or at-risk of being victims of commercial sexual exploitation.
- Parenting Foster Youth Infant Care Supplement—The Budget includes \$4 million General Fund beginning in 2016-17 to increase the monthly infant care supplement payment by \$489 for foster youth who reside with his or her dependent child.
- Chafee Education and Training Vouchers for Foster Youth—The Budget includes an augmentation of \$3 million General Fund beginning in 2016-17 to increase the number of education and training voucher grant awards provided to eligible youth in foster care.
- Public Health Nursing and Monitoring of Psychotropic Medications—The Budget includes an increase of \$1.7 million General Fund beginning in 2016-17 for psychotropic medication case management services for children in the child welfare services system.
- Adult Protective Services—The Budget includes a one-time augmentation of \$3 million General Fund in 2016-17 to expand Adult Protective Services training for county social workers.
- State Emergency Food Assistance Program—The Budget includes a one-time appropriation of \$2 million General Fund in 2016-17 to purchase and distribute food to needy households.
- Federal Immigration Assistance—The Budget includes a one-time augmentation of \$15 million General Fund, for a total of \$30 million General Fund in 2016-17, to provide immigration assistance, including legal and naturalization services, to immigrant communities.
- Minimum Wage Increase—An increase in IHSS expenditures of \$18.4 million General Fund and a decrease in CalWORKs expenditures of \$6 million General Fund to reflect the impact of the 50-cent increase in the state minimum hourly wage, effective January 1, 2017, pursuant to Chapter 4, Statutes of 2016 (SB 3).

DEPARTMENT OF STATE HOSPITALS

The Department of State Hospitals (DSH) administers the state mental health hospital system, the Forensic Conditional Release Program, the Sex Offender Commitment Program, and the evaluation and treatment of judicially and civilly committed patients.

Significant Adjustments:

- **Jail-Based Competency Treatment Beds**—The Budget includes \$4.2 million General Fund to expand the jail-based competency treatment program by 35 beds and provide additional oversight of the restoration of competency program. With this increase, DSH will support a total of 183 restoration of competency beds to serve incompetent to stand trial patients outside of the state hospitals, at a total cost of approximately \$22.6 million General Fund in 2016-17. Despite recent measures to increase capacity both in the state hospitals and at jail-based programs, referrals continue to outpace admissions and discharges and the pending placement list was over 430 individuals as of June 2016.
- **Activation of State Hospital Beds**—The Budget provides an increase of \$18.1 million General Fund and 175.5 positions to activate an additional 60 beds at Napa State Hospital and 36 beds at Metropolitan State Hospital. The activation of these beds improves DSH's ability to address the immediate needs of pending placements.

DEPARTMENT OF DEVELOPMENTAL SERVICES

The Department of Developmental Services (DDS) provides individuals with developmental disabilities a variety of services that allow them to live and work independently or in supported environments. California is the only state that provides developmental services as an individual entitlement. The state is in the process of closing all of the state-operated developmental centers, except for the secure treatment area at the Porterville Developmental Center. By the end of 2016-17, DDS estimates it will serve approximately 303,000 individuals with developmental disabilities in the community and 847 individuals in state-operated developmental centers.

Significant Adjustments:

- **Community Services**—The Budget includes augmentations totaling \$337 million General Fund between targeted investments in the developmental services system

(\$50 million) and the additional funding provided in Chapter 3, Statutes of 2016, Second Extraordinary Session (ABx2 1) (\$287 million).

- **Minimum Wage**—The Budget includes an increase of \$12 million General Fund to reflect the impact on providers of the 50-cent increase in the state minimum hourly wage, effective January 1, 2017.
- **Developmental Center Closures**—The Budget provides funding and authority to: (1) extend special managed care provisions to Medi-Cal eligible individuals that are transitioning from developmental centers into the community; (2) provide an exemption to allow developmental center employees working at facilities slated for closure to go through the process of becoming community-based service providers; and (3) provide retention incentives for developmental center staff during the closure process to maintain services during the transition.

DEPARTMENT OF PUBLIC HEALTH

The Department of Public Health is charged with protecting and promoting the health and well-being of the people in California.

Significant Adjustments:

- **Public Health Investments**—The Budget includes \$12.5 million General Fund for the following one-time public health expenditures: sexually transmitted disease prevention (\$5 million); drug overdose prevention (\$3 million); early detection and diagnosis of Alzheimer’s disease (\$2.5 million); hepatitis B and C prevention and treatment (\$1.4 million); and biomonitoring (\$600,000). The Budget also includes ongoing funding of \$3.2 million General Fund for the California Children’s Dental Disease Prevention Program and \$1 million General Fund in 2016-17 and \$2 million ongoing for enforcement activities related to recently enacted tobacco legislation (Chapter 7, Statutes of 2016 [SBx2 5] and Chapter 8, Statutes of 2016 [SBx2 7]).
- **Implementation of the Medical Marijuana Regulation and Safety Act**—The Budget contains \$3.4 million and 14 positions in 2016-17 for Public Health to carry out its regulatory responsibilities associated with the Act. In addition, \$500,000 General Fund is included on a one-time basis to help support a study analyzing the health risks associated with the use of marijuana.

OTHER HEALTH AND HUMAN SERVICES

- **Community Infrastructure Grants**—The Budget includes \$67.5 million General Fund for one-time community infrastructure grants to promote public safety diversion programs and services by increasing the number of mental health, substance use disorder, and trauma-related services facilities. Grants will be awarded by the California Health Facilities Financing Authority (CHFFA) on a competitive basis to cities and/or counties. The grants will aim to expand local resources for facility acquisition or renovation, equipment purchases, and applicable program startup or expansion costs to increase the availability of these programs.
- **Children’s Mental Health Crisis Services**—The Budget includes \$30 million (\$16 million General Fund) on a one-time basis for grant programs at CHFFA and the Mental Health Services Oversight and Accountability Commission. The CHFFA grants will be awarded to local governments and are intended to increase the number of facilities providing a continuum of crisis services. Grants provided by the Commission will fund supports and training for families as well as triage personnel serving children and youth under the age of 21.
- **Workforce Investment**—The Budget includes \$33.3 million General Fund to support health care workforce initiatives at the Office of Statewide Health Planning and Development. This funding will pay for new and existing residency slots for primary care physicians. The augmentation is contingent upon federal approval of the Medi-Cal Hospital Quality Assurance Fee.
- **Senior Nutrition**—The Budget includes a one-time augmentation of \$2 million General Fund for the Department of Aging to supplement the Home-Delivered Meals Program for eligible seniors.